

City of Cottonwood

NEWS RELEASE



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Standard & Poor's Rating Services upgrades the City of Cottonwood, Arizona bond rating to an “A”

February 1, 2010 - The City of Cottonwood is very pleased to announce that it has received a three notch upgrade from a “BBB” to an “A” rating from Standard & Poor’s Rating Services.

RATIONAL:

Reasons cited by Standard & Poor's Ratings Services for upgrading the Cottonwood Municipal Property Corporation, Arizona's outstanding senior-lien water system revenue bonds were reflected in its reduced uncertainty related to the system's limited operational and financial history given its now more mature status, good financial performance, and strong liquidity.

Other credit strengths cited in support of the ratings include:

-  A moderately growing, diverse, and mostly residential community that also serves as the primary retail service center in the Verde Valley area of Yavapai County;
-  Good debt service coverage at 1.7x in fiscal 2008, estimated at approximately 1.5x for fiscals 2009 and 2010 and forecasted at no less than 1.57x during fiscals 2011-2015;
-  Good bond provisions, with a rate covenant and additional bonds test (ABT) of 1.35x; and
-  A plentiful water supply.

Additional security is provided by a fully funded debt service reserve fund at the standard three-pronged test. Legal provisions require the city to establish and maintain water system rates and other charges sufficient to pay operating expenses and to produce at least 1.35x coverage on the bonds. In addition, a 1.35x historical coverage is covenanted by the City.

OUTLOOK:

A stable outlook is being reflected in S&P’s expectation that system reserve levels will remain strong and coverage will remain at or near forecasted levels. The City is and has been successful in managing its Capital Improvements Program and has demonstrated a continuous strong financial performance. S&P details that more rating improvement is possible; however, the utility is constrained by high debt, and below-average income levels.

Standard & Poor's is a global leader in credit ratings and credit risk analysis, analyzing issuers and debt obligations of corporations, states and municipalities, financial institutions, insurance companies, and sovereign governments.

This substantial upgrade is difficult to accomplish during normal economic times, and to see it happen during these trying economic times is a tribute to the conservative fiscal management style of the City of Cottonwood.

Additional information can be found on the City of Cottonwood website at <http://cottonwoodaz.gov/finance/CottonwoodMPCSPUpgrade.pdf>